Private 52

THE DOUBLE STANDARD.

BY

HENRY H. GIBBS.

LONDON:

1881.

Bt. from Geo. Harding

Aldenham House,
near Elstree, Herts,
February, 1881.

Dear Sir,

In our conversation the other day you were good enough to suggest the reprinting of the pamphlet containing my Letter to Mr. Cazalet* on the subject of the Double Standard.

I have, therefore, looked through my pamphlet again, with the aid of the remarks of my many critics, and of the light which subsequent events have thrown upon the subject, and while I have in no main point changed the opinion which I expressed in it, I see much in its pages that may be mended so as to dispel certain misapprehensions of my meaning, and much that may be added in sight of the course which affairs have taken since its publication.

The following pages, which have all been passed under review by you, may be, I think,

* *Silver and Gold: a Letter to Mr. Cazalet.* Effingham Wilson. London: 1879.

considered as expressing your opinions as well as my own.

The march of events since 1879 was predicted by some of my colleagues (though not by myself) at the Conference held in Paris in 1878, and has been in a direction tending to the disadvantage as well of the commercial interests of this country as of the finances of the Government of India.

The price of Silver, which, though low, was fairly steady for some time, again began to decline, and there is no difficulty in discovering the causes of its doing so.

The "Bland Bill" had practically broken down in the United States, where the coined Silver so urgently demanded by one party in the State is not accepted by them or by anybody else now that it is coined, but remains idle in the Treasury, a standing witness, according to some, to the practical impossibility of a Double Standard (whereas the law lacks the main requisite of a Double Standard, the right of every man to bring Silver to the mint—so much as and no more than he thinks proper—and receive it again in standard coins of the country); and, consequently, a demand has been for some time making itself heard in that country

for the legal as well as actual demonetization of Silver, and the adoption of Gold as the sole money of the Union.

What will be the proportion of the rupee to the pound sterling if the United States cease to buy and coin the $2,000,000 a month now to be coined in accordance with the provisions of the Bill? What, if the dollars now accumulated and still to be produced are thrown on the market?

There are rumours, also, how far true I know not, that Germany, if no accord is entered into, will soon begin again to place her stock of Silver on the market; and the *Projet de Loi* lately published with the names of Messieurs Magliani and Miceli shows that Italy, in abolishing the forced paper currency, contemplates the resumption of specie payments in Gold, thus appreciating that metal, and producing the same effect on the relative position of Gold and Silver as was produced by Germany's demonetization of Silver, to say nothing of the disturbance of the prices of other commodities. So great, nowadays, is the *Auri sacra fames*, that even Peru, whose Gold and Silver have all departed long ago, and whose paper dollar is to-day worth less than threepence, has

decreed that the pound sterling in Gold is the money of the country.

On the other hand, the Governments of France and the United States, turning their attention to a better remedy for the present difficulty, are seeking a renewal of the discussions of the Conference of 1878, and have, I hear, already sent invitations to our own and other Governments to send delegates to Paris in April next, to deliberate on the possibility of a common accord between the chief commercial nations of the world on the question of the standard of value.

To the United States the matter is one of great moment, for America is the great source of Silver. To us it is of great moment, for Silver forms the money of our greatest dependency, and the money of many nations with whom England has a considerable trade, and Silver is very seriously threatened: it appears to me, therefore, that it is again time to consider what are the evils to be dreaded in such a state of things, and what are the merits of the remedies suggested for their cure.

Even if England were not directly interested as mistress of India, I should entirely agree with you in thinking that, commerce being essentially

a cosmopolitan affair, one cannot imagine how it is possible for the commercial centre of the world to shut itself up in its insular self-sufficiency, and to decline even to consider a question of such magnitude.

The ensuing pages, then, will treat of the subject as it now presents itself to me, embodying the substance and frequently reproducing the words of my former pamphlet with such additions and corrections as may seem suitable to the present juncture.

I add in an Appendix some very valuable criticisms on that pamphlet which I have had the advantage of receiving from Sir Stafford Northcote and Mr. Farrer, who were so good as to give the question in general and the arguments adduced by myself very careful consideration, and who have kindly allowed me to print our correspondence. Their letters seem to me to contain the kernel of what can be said against the Double Standard, but they do not, I think, satisfactorily dispose of the question under its present aspect, and I hope I have not attempted in vain to answer them.

I have also read with much interest the numerous criticisms on my pamphlet which have

appeared in pamphlets and in the public prints, some favourable, but for the most part adverse. It is satisfactory to me to see that these latter either combat arguments which I did not use and deny facts which I did not assert, or else themselves produce as historical proof of the impossibility of a satisfactory working of the Double Standard as advocated by me, records of its action under circumstances wholly dissimilar to those which I lay down as imperatively necessary to the good success of the plan.

My critics were generally indulgent, and their criticisms useful to me, and if I can only succeed in inducing them to look seriously into a subject which they have been indisposed to treat with the importance it deserves, I shall not have written in vain.

I am,

Dear Sir,

Yours faithfully,

HENRY H. GIBBS.

HENRY R. GRENFELL, Esq.,
Deputy-Governor of
The Bank of England.

THE DOUBLE STANDARD.

GOLD alone is the Standard Money of Great Britain. That is to say, the value of all commodities is measured by and expressed in the Pound sterling, consisting of 113·0016 grains of pure Gold, or 123·27447 grains of Standard Gold.

Silver coins are in this country merely tokens,—metallic notes representing portions of the Gold pound; thus, a crown is payable by law as the fourth of a Gold pound, although the intrinsic or metallic value of the coin is much less.

In Germany, until the year 1872, Silver was the only Standard Money, and all commodities were in that country measured in Silver just as in this they are measured in Gold.

In France, as in the other countries belonging to the "Latin Union," Gold and Silver alike are the measure of value of all other commodities; 15½ ounces of pure Silver or one ounce of pure Gold being equally a discharge for a debt of 107·1342 francs, the Gold piece of 20 francs bearing that

proportion to the Silver piece of 5 francs, and the debtor having in all cases by law the option of paying his debt in either metal.

I take, arbitrarily, these three countries, Great Britain, Germany (before 1872), and France, as representatives of their several systems; the last as an example (until 1874, when she suspended free mintage of standard Silver money) of the full use of the Double Standard, or what is now called by the name of Bimetallism, and the two first as examples, severally, of the two varieties of a Single or Monometallic Standard.

It may be useful to give here a sketch of the position and progress of the Silver question since the date of my letter to Mr. Cazalet.

The price of Silver towards the end of 1879 was higher than at present. Having been 60*d.* per ounce in 1872, it fell as low as 46¾*d.* in 1876, from which it rose by various fluctuations to 53½*d.* in November, 1879. It stood at the close of 1880 at about 51¾*d.*

The chief causes of the depreciation of Silver may be stated as follows:—

1. Increase of production of Silver, from 8½ millions in 1861 to about 16 millions in 1879.

2. Decrease in demand of Silver, owing to
   (*a*) Demonetization of Silver in Germany, the Scandinavian States and

Holland; and limitation of Silver coinage by the Latin Union.

(*b*) Increase in amount of India Council Bills, coupled with less demand in India for coin, owing to bad harvests, &c.

3. Enhancement in the value of Gold, owing to

(*a*) Diminution in its supply, which fell from an estimated average annual production in 1852/6 of nearly 30 millions, to about 21 millions at present.

(*b*) Increased demand for Gold—Germany and minor States absorbing about 86 millions, and the United States (since 1872) more than 40 millions.

Since 1878/9 the actively disturbing elements in Europe and India may be regarded as having ceased. In general terms it may be said that the operations in Germany have not been extended; that the amount of India Council Bills has not increased; and that the improved condition of India and the East has maintained a due absorption of Silver.

Setting aside, therefore, for the moment, any further enquiry into these points, the subjects which appear to require examination, as having made some progress in the last two years, or as

likely to hold a prominent place in influencing the immediate future, are—

1. The production of Silver and Gold, especially in America, as compared with previous years.
2. The operation of the American Silver coinage law, and the condition of things brought about under it.
3. The proposed arrangements in Italy for a new Gold Standard coinage.

Production of Silver and Gold.

During the past three years it would appear that so far as the United States is concerned, the production of Silver has remained nearly stationary.

The figures given by Messrs. Wells, Fargo & Co. (which appear to be generally accepted) show it to have been in 1879 £7,406,000, against £7,449,000 in 1878. In the United States Mint Report the production for the year ending 30th June, 1880, is estimated at about £7,540,000.

The estimates for the last seven years stand, therefore, as follows:—

	£
1874	3,464,000
1875	6,521,000
1876	7,858,000
1877	9,169,000
1878	7,449,000
1879	7,406,000
1880	7,540,000

The production in other countries does not appear to have shown any considerable variation; and as the estimates of supply in the year just ended are not in excess of the year 1879, it may be broadly stated that the greatly increased production prior to 1878 has, as was anticipated, not been maintained.

The production of Gold during the last three years appears to have diminished considerably.

In the United States, the production for the last four years, ending 30th June, is estimated by the mint authorities as follows:—

	£
in 1877	9,380,000
1878	10,240,000
1879	7,780,000
1880	7,200,000

The production in Australia is stated also to have decreased though not so sensibly, while the prospect of any large supply of Gold from India is still uncertain.

The United States Coinage Law and its Results.

This law was passed in 1878. Its chief provisions are—

1. That the United States Treasury shall coin Silver monthly (whether it is required for trade or not) to an amount of not less than £400,000, or more than £800,000,—the

necessary amount of Silver for this purpose being purchased by the Government at the market price.

2. Dollars so coined are to be of the weight of 412½ grains of standard Silver "as provided by the "Act of January, 1837," and are to be a legal tender, at their nominal value, for all debts and dues, public and private, "except where other-"wise expressly stipulated in the contract."

3. That any holder of this coin, in sums of not less than 10 dollars, may deposit it and obtain a certificate for it. These certificates are receivable for Customs, taxes, and all public dues, and may be re-issued.

It is of course difficult to ascertain with any precision the working of a foreign law in a foreign country, but from the results it would appear, and, indeed, it seems to be admitted, that this Act has failed to fulfil the objects it aimed at.

It is stated that under the law about 80 millions of dollars (£16,000,000) have been coined, and that if the coinage continues, the sum before the close of the present year will exceed 100 millions (£20,000,000). That, of the sum already coined, about three-fourths, say $60,000,000 (£12,000,000) remains in the Treasury vaults, belonging to the Treasury, or to Banks and others to whom the Treasury has issued certificates for them. That only about 20 million dollars (£4,000,000) remained

out of the Treasury vaults, including all those actually held by the Banks; and that probably not more than 10 millions (£2,000,000) have gone into active circulation.

These dollars outside the limits of the United States are scarcely worth nine-tenths of a Gold dollar, though practically to a resident American they are equivalent to Gold. That they are, however, unacceptable is evident, and the question is exciting great attention. Prominent amongst the remedial measures has been the proposal to increase the weight of the dollar—but to make it equal to Gold it must be raised from 412½ grains to 455. At the late annual convention of bankers at Saratoga it was resolved to recommend that these dollars be melted back into bullion, a subsidiary coinage being issued only as required; and that certificates be issued for deposits of Silver bullion as nearly as possible at the market price. There is clearly a growing desire in some quarters to get rid of the Act altogether.

Whilst the Silver coined under this Act cannot be got into circulation, the absorption of the Gold coinage, especially in the West, is represented as being very great. According to an estimate by the United States Mint authorities, the Gold coinage circulation of the country was increased, by coinage and imports of coin, more than £20,000,000 between the 1st January, 1879, the date fixed for resumption, and the 1st November, 1880.

The Proposed Redemption of Forced Currency in Italy.

The Italian Government propose within the next two years to redeem so much of their paper circulation as will place the remainder in a satisfactory condition; and to this end, they purpose raising a loan of £25,760,000, of which £16,000,000 is to be in Gold. It would appear that the Government, so far as their views have been made known, entirely put aside, under present circumstances, the question of a Double Standard, and take the opportunity afforded by the substitution of a metallic for a forced paper currency of introducing a Gold standard.

On a review of the general position, so far as this has changed during the past eighteen months, the following appear to be some of the results:—

1. The divergence between the value of Silver and Gold has widened.

   That this is the case would appear from the following consideration:—

   As regards Silver, the demand has not largely increased, if at all, whilst the production has remained nearly stationary. In the United States the coinage under the law of 1878 has been continued, but the country has not absorbed it. The coins lie idle, and

do not even need the usual supply of Silver to maintain them in good condition. In Europe the limitation of Silver coinage by the Latin Union is still in force, and the former large Silver coinage of Germany and the Northern States needs no longer the supply formerly required to sustain it. Against this, however, must be placed an increased importation into India of more than four millions sterling last year over the previous year.

On the other hand the supply of Gold is not only less, but the demand for it has increased in every direction. Assuming the Australian yield to have been maintained at the diminished supply of the last few years, that of America is confessedly less. But as regards demand;—in the United States the absorption has been continuous. In Europe the increased amount of Gold coinage superseding Silver, and the extended area over which it prevails, needs for its maintenance a larger supply than formerly; whilst even India—probably owing to greater prosperity—has imported nearly £600,000 this year in excess of last. The diminution in the price of Silver from about 53½*d.* in November, 1879, to 51¾*d.*, probably represents the result of the operation of these causes.

2. Under the influence of circumstances within view, the probability is that the divergence of price will be greater rather than less.

The power of India and the East to absorb Silver is an unknown element. Although with prosperity it would increase, yet in such periods the importation of Gold (possibly for manufacturing purposes) increases also. But there does not appear to be any visible demand for Silver elsewhere; whilst any change in the present law of the United States, which is fast becoming intolerable, would lessen the demand there, and possibly release the accumulated useless stock.

Any action of the Italian Government, in the direction of introducing a Gold standard, would of course still further complicate the position; and any general revival of trade would stimulate all the causes now at work for a larger need of Gold in face of a diminishing supply.

Looking at the matter from the point of view of the advocates of a Double Standard, it would appear, that apart from all local considerations, and assuming no great Gold discoveries should alter the conditions, the natural causes which have been at work have been in the direction of strengthening the views of those who lean to that solution of the

question; a view which of necessity is held most strongly by the United States as the chief Silver-producing country. The question may be asked whether any advance, and if so, to what extent, has been made in enabling them to enforce their will on Europe.

The working of the United States law of 1878 shows, if such a lesson were needed, the utter futility of a partial bimetallism. Had there been bimetallism, pure and simple, with free coinage of either metal to every one, America, as France in past time, would have brought up the value of Silver to its old point; though some have urged that she could not long maintain this service, unless a change arose in the relative value of the two metals, in the direction of making the less valuable the more valuable,—a view which I will discuss later on. But the United States did not establish bimetallism, and the question seems to be now before them, whether they shall establish it, or whether they will throw aside even the present semblance of a Silver legal tender, and revert to a single Gold standard, trusting that the constant absorption to meet the needs of an ever-extending area of population will tend to a settlement of the question in the direction they desire, and conscious of the power they possess as the great food-suppliers of the world.

The conditions would of course be modified by new discoveries of Gold; but, as it stands, it would

appear that the question is being gradually narrowed to a monetary struggle between America and Europe. America is not likely by herself to introduce a Double Standard, as to do so would be to part with her present stock of Gold, and permit Europe to retain its single Gold standard; but she can follow, if Europe leads the way, and reap the benefits which would accrue from its establishment.

Before entering into the question whether the adoption by this country of the Double Standard would be, under any circumstances and in any degree, a remedy for the evils to which I have adverted in the foregoing letter to Mr. Grenfell, I will set down what are supposed to be the comparative advantages of the two systems.

Shortly stated, the advantage of a single metallic standard is, that assuming the coins to be kept at their due weight and fineness, every one who buys, and every one who sells, knows precisely what it is that he gives and what it is that he receives for the commodity with which he is dealing, and that the calculations of commerce are more simple, for those who are engaged in it, whether they live in the same village or at opposite ends of the world, if they have but one medium for the exchange of their commodities.

The disadvantages which a Double Standard in one single country brings to that country itself are

so notorious, and have been so constantly exposed in every treatise on the subject, from Locke to John Stuart Mill, that I need not enlarge on them.

The advantages which a Double Standard in one single country brings to other surrounding countries are obvious.

But the advantages which a Double Standard would bring to all countries simultaneously agreeing in adopting it is the point now under discussion; and it is that agreement, and the causes which seem to make it necessary, which alone present new features for our consideration.

These advantages are:

1. Uniformity, and therefore the removal of those variables which must be an encumbrance to commerce. see p. 13 on [illegible]
2. The providing a remedy, if not the only possible remedy, for the new state of things in Germany, Italy, and America, wherein these wealthy nations are entering into competition for the limited stock of Gold existing in the world.

I will now address myself to the question whether it is the only remedy, or whether a choice lies between a single standard of one metal only, and a compound standard of two metals, for adoption by the chief commercial nations. p. 14

I have no doubt myself that, as a matter of theory, a single standard would be the best for the

whole world of commerce, and that Gold would be the most proper metal to serve as that standard. That is to say, that if we could suppose men to have set themselves at some time deliberately to choose a medium of exchange and measure of value, and Gold to have been ready to their hands in quantity sufficient for the convenience of commerce, nothing could have been more perfect than the selection of Gold for the purpose.

But this is, of course, mere imagination; for no nation or people ever did deliberately invent and choose a standard of value, and even had it been possible for them to do so, the same causes, or some of them, which led some to choose Gold, would have led others to choose Silver, brass, or iron, sheep and oxen, even salt, dried fish, shells, or other substances, as media of exchange.

No such deliberate choice could have taken place. The precious metals, I suppose, grew into being money by common consent and law united, and so grew because they were exceptionally suited to serve as money. They were imperishable, divisible, portable, beautiful, and rare, and thus possessed intrinsic metallic value.

I approach here an incidental portion of the argument in my former pamphlet, which drew down upon me the censure of almost all my critics. It was no important part of the argument, and might be conceded to the objectors without affecting in the least degree the correctness of my conclusions.

It was only by way of illustration that I used the somewhat hyperbolical expression—"Gold "and Silver are a forced currency." The force I spoke of was *consent*, and no other; and it was no confutation of my statement to reply that nations would *not* consent to the use of a valueless currency. I nowhere said, or implied, that they would. My statement was but a truism, viz.: No commodity, however valuable, could become *money* without consent or tacit concurrence of those whose money it was to be. Even to a really forced currency imposed on a nation by the will of the Prince, consent, however unwilling, is a necessity.

I said, and I repeat, that it is from consent, and law which presupposes consent, that Gold and Silver derive their power *as money*. Their power as exchangeable commodities they derive, as wool and iron do, from thier intrinsic worth and useful ness. To this phrase of mine objection was made, that I attributed their *value* to consent, meaning that consent and law could make that valuable which was not so without them, and that intrinsic worth was of no consequence. But I said nothing of the sort, but only that they derived their powers as money—their being money at all—from law and consent.

For if not, and if intrinsic worth alone suffice to cause a commodity to be money in proportion to its possession of it, then tin and platinum should also be money, which they are not; Gold should be

money everywhere, which it is not; Silver should be money here, which it is not.

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But though it would be absurd to say that Gold and Silver took their value from consent, it seems to be by no means absurd to say what the events of the last few years have shown to be true, that while metals become money because they are intrinsically valuable, they take increased value because they are money.

It is a widely received opinion that cost of production is the measure of value. "If," says the writer of the article "Money" in the *Encyclopædia Britannica*, "a sovereign commonly exchange "for two or three bushels of wheat or a hat, it is "because the same labour is commonly required for "its production as for that of either of those com-"modities." This, though asserted by very high authorities, seems to me a somewhat hardy assumption, and one of which demonstration would be difficult. Whatever be the case as to the value of other commodities, it can hardly be so with money; for if the quantity of Gold coin and bullion now in the world had cost but half as much labour to produce as it really has, would not the proportion which it would bear to the commodities that are measured by it be precisely the same then as it is now?

It cannot be, I think, that cost of production is the only factor. It must be cost of production *plus* usefulness, that is to say, demand.

As length, contained in a yard measure, measures commodities to try how much length there is in them, so value, contained in a sovereign, measures commodities to try how much value there is in them. But the length in the yard is invariable, and dependent on no external circumstances, and its relation to the commodity measured by it is also invariable; while the value in the sovereign does not consist only in its intrinsic quality, but also in the variable circumstances of its usefulness and demand; and its relation to the commodities measured by it is therefore perpetually changing.

If cost of production were the only test of value then would platinum, which is much rarer than Gold, be more valuable than Gold: it would be exchangeable for more commodities. But in effect, though it costs more labour to produce 1000 ounces of platinum than it does to produce 1000 ounces of Gold, it is at least two-thirds cheaper than Gold, *i.e.* is exchangeable for fewer commodities.

So then demand (or usefulness of one sort or another—profit to life, ornament, gratification of taste or fancy) is a necessary ingredient in value. Take away demand, and value or worth diminishes, falls away to nothing. What is the chief demand for the precious metals? Use as money. Take away that, and what are they? Their beauty, their durability, their portableness, their cost of production, their rarity, remain; but these, which constitute their intrinsic worth, not of themselves

causing them to be money, their value is proportionately decreased. Gold becomes a vastly superior copper; Silver, whatever its cost of production, becomes a superior tin. Silver, while it was money in Germany, Holland and Scandinavia, was worth 5*s*. an ounce. Those nations set the example of demonetizing it, and it falls to 4*s*. 4*d*.

So I think I am not wrong in saying that the use of the precious metals as money gives them a value which they otherwise would not have, and that consent, without which their use as money could not exist, is therefore in some sort a cause of a part of their value.

And now, since I seem to be writing an *Apologia* for a portion of my former pamphlet, I will touch on another unfortunate expression in it. I say "unfortunate" because, though perfectly true in the sense in which I used it, and wholly unimportant to my argument, it also had the effect of drawing almost all my critics away from the main purpose of my pamphlet, and of leading them to use their energies to confute what was scarcely worth confutation.

I said the *metal* of which the money is composed is indeed a commodity; but when made into money it ceases to bear that character. MONEY *is not a commodity, but a measure of commodities.*

A sentence which is, I admit, ill expressed and not undeserving of the flood of criticism which was poured upon it. Money, I repeat, considered as a

measure of value, is not, in respect that it is money, a commodity as other commodities are. The substance of which it is made must be and must of course remain always a commodity, and no one I suppose thought that I so far believed in the transmutation of metals as to think otherwise. The sovereign which I hold in my hand is obviously as much a commodity as the purse in which I place it, and stamped or not it would be an exchangeable commodity like any other; but as money it has another function superadded, it is the medium of exchange between commodities, and so far differs from them all.

But for the purpose of my argument I used the word commodity in a sense not *new* indeed but differing from that which is most commonly given to it in books dealing with such subjects. I used it according to Locke's definition of the word as "a "moveable, valuable [*i.e.* that can be valued] by "money the common measure," and my argument being that there could be no relation of price between two parts of the money of a country, whether that money was composed of one metal or two, I said that money was not "valuable by "money," or, in other words, was not a commodity. I looked upon a commodity not only as a χρήσιμον, as Aristotle calls it, but as a thing which can be bought or sold, and I say that money cannot buy money, cannot buy that which is recognized as money current in the country. There is no answer

these six paragraphs omitted in the published copy

to the question "How much money can I buy for "a sovereign?"

Gold, no doubt, whether as bullion or as money, is a purchasable thing, and as money is "valuable" in commodities.

A sale for money is indeed an exchange of commodities. But if it is an exchange of the commodity mutton for the commodity Gold, *that* is barter. We can't eat our Gold, drink our Gold, put on our Gold, or dwell in our Gold. It is useless to us except for one thing. It is a cart which carries commodities, and if I have been rightly taught that money is a *medium* of exchange, then the commodities we get, when we give mutton for Gold, are those with which that Gold will supply us. We give our mutton and get purchasing power.

I nowhere asserted that money had no real value, though I illustrated the power of consent by saying that nearly valueless substances had been used for an inferior money. A writer in the *Economist* finally disposes of the whole of the argument of my letter to Mr. Cazalet, by saying "we differ from Mr. Gibbs and have to remain of "the opinion so well expressed by Mr. Fawcett, "'Money is composed of substances the value of "'which is regulated in the same manner as that of "'other commodities.'" As I entirely agree with Mr. Fawcett in this statement, I do not differ from the *Economist*.

My contention is that the use of any commodity as money places it, so far as it is so used, in a different category from all other commodities. Gold and Silver are, *all* that there is of them, used as money; for the two or three per cent. used in the arts is of no account. That two or three per cent. takes its market value from the coin value of the other 97 or 98 per cent., and is practically only a deduction from the amount produced. Gold, with us, is money as coin, money when it is taken into the Bank as a basis for notes, and money when it is taken out of the Bank for export to countries where its real value is that it is *payment* for goods, and can be again remitted hither as *payment*. The value of commodities one and all is regulated in money; if, then, people will misinterpret Mr. Fawcett's dictum and say "*Money* is a commodity "and its value is regulated as that of others is," then *it* also must be regulated in money, which is absurd. The value of money may be said to be regulated in commodities; but that is only another way of saying that money is a measure of commodities. The value of Silver is measured in Gold; but it is where Silver is, as here, only a commodity: The value of Gold is measured in Silver, but it is where Silver is money and Gold merchandise. Where both are money they can't regulate one another: Money cannot be a measure of itself.

This is but a digression, and on subjects not really important to the argument.

See p. 17 contradicts

I have assumed that though Gold as a single metallic standard for all the world is theoretically the best, there is no practical possibility of its adoption.

In practice, the difficulties and even dangers of establishing it would be enormous. It would indeed be a mistake to allege as one of these difficulties that the stock of Gold would certainly be insufficient for the wants of commerce, for when once the adoption of a universal Gold Standard had been accomplished and the Gold distributed abroad, prices which would have been disturbed would after a time and by degrees adjust themselves, and fall into a normal condition. Besides which, the use by other civilised nations of the banking expedients employed by ourselves—of a system of convertible paper money (to speak only of sound expedients)—of checks and clearings such as we have in England, would so economise the use of the metal, that there would, I imagine, be more than enough.

But setting aside the extreme improbability of such a change in the habits of other nations, the real danger in establishing a single Standard of Gold (or of Silver either) for all countries having commercial relations with each other would be the disturbance of prices to which I have referred above, by the contraction of the circulation in every country of the world. Work is now done by both Gold and Silver, Gold in some and Silver in others, and the same work would then have to be done by

one metal only. The adjustment of prices would then take a long time to perfect, and meanwhile the violent and continuous fall of prices would bring disaster, panic, and ruin in its train: Money would be harder to come by, and the debtor who owed and had to pay £100, would find that in order to raise it he must part with more commodities than could be bought with the money when he incurred the debt.

But though a single metal as money is only theoretically the best under present conditions, yet it is much more than mere theory which claims a single metal as absolutely the best money for any particular nation in its internal commerce; and it does not seem certain that the very arguments which prove this do not hold good for a uniform *system* of money for that greater nation, the whole commercial world. Every argument which Lord Liverpool uses for this country applies equally well to the whole family of nations; but he was not concerned for other states, he was not desirous of preaching a Gold standard, or even a uniform standard to other nations, and if he had desired to do so, it would have been at that time made all the more difficult by their several predilections either for Silver as a single standard, or for a double coinage of Gold and Silver; and also by the want of those facilities of communication which we now enjoy, and by the impossibility which then at least did exist of bringing about "international

concert." But with respect to this country, for which alone Lord Liverpool intended his argument, it was capable of and received practical application, so that Gold became the single standard of these realms; of which result I will say that if nothing else had to be taken into consideration, and if we were concerned for no other country but the British Islands, our system would be perfect.

I will add that till of late years the inconveniences which have resulted have not made themselves manifest, and my only desire in writing these pages is to arouse the minds of the more experienced among us to the necessity of a careful examination of those inconveniences with a view to discover how far they are really dangerous to commerce, and to the well-being of England's dependencies, and how far they may overbalance the obvious benefits of a single Gold standard; and if it be found that they are of such a nature as to require a remedy, then to approach the question what that remedy shall be with an unprejudiced mind.

One of the remedies that has been suggested is the adoption of the second system of currency, spoken of in my first page; that is to say, of the Double Standard as it existed in full force in France till 1874.

Now, just as we shall find that many economists will declare that there are no inconveniences at all in the single Gold standard, or, if there are any, that they are not worth serious notice, so we shall

find that there are enthusiastic defenders of the Double Standard who say that not only is its admitted action not disastrous even to a single country adopting it, but positively advantageous. Be that as it may, it is incontestable that what is called the Double Standard was, as applied at that time in France, really an alternative standard, or, more strictly speaking, produced an alternative currency. For some time before 1848, Gold, being the dearer of the two metals, had nearly left the country, and little but Silver was to be seen. Later on, when the construction of the Indian railways had greatly augmented the demand for Silver, that metal became the dearer of the two, and it became difficult to get change for a Gold napoleon.

Yet France was in neither case a monometallic country as has been sometimes assumed; for the bimetallic law was still in force, every one was at liberty to pay his debt in whichever metal he chose, and every one was entitled to receive 1000 pieces of 5 francs for 723·391 ounces of pure Silver, or 1000 pieces of 20 francs for 186·681 ounces of pure Gold, delivered at the mint.

But the dearer metal had in either case for the most part disappeared from common use, and France was so far left with the depreciated coinage only, of Gold or Silver as the case might be; a condition, according to some French economists, demanding congratulation as having brought gain to the country, but, according to most English economists,

deserving commiseration as having brought loss, some going so far as to speak of "the misery "endured by the people of France under their "changing system."

Mr. Cernuschi's contention is that if France has lost her Gold—to take that instance—it has not been taken from her against her will. She has freely offered it. If she has paid her debts to England in Gold, then for every 20-franc piece sent away she has had goods worth 20 Gold francs in exchange, or else she has received Silver for her Gold, and, by the hypothesis, more Silver than is contained in four 5-franc pieces, for Silver was cheaper than Gold in this market. So France, he thinks, as a nation, has gained all round.

this passage altered to following left out in published pamphlet

Without accepting the conclusion at which he arrives, one may well doubt whether the prejudice is so great to the single bimetallic country as is commonly supposed. France in any case remains with a depreciated currency. Whatever mischief may flow from that source has been mitigated but not wholly compensated so far as her mixed currency consisted of the better metal. In so far as she was a Silver-using country she must have felt all the effects of the depreciation of that metal, and it could not but have been a loss to her that her foreign debtors were at liberty to pay her in a metal which she could not herself send abroad to the same advantage as she could have done before its depreciation. She suffered, not in

that the Gold which she possessed left her, but in that the Silver which she possessed, and which did not leave her, was depreciated.

So far then as she did suffer, her sufferings must have been shared by Germany, whom as a Silver-using country up to the year 1872 I have taken to represent one variety of the single standard. Germany must have suffered as to the whole of her currency, whatever evil France may have suffered as to the Silver portion of hers; while England, as a Gold-using country, must have been free from the loss which her neighbours are said to have suffered.

By the same reasoning, England, as representing the Gold-using variety of the single standard, must have been, as respects the whole of her currency, in the same position as France was as to the Gold half of hers, when, about the year 1851, Gold being depreciated, her Silver is said to have wholly left the country, and really did become scarce; for while the Gold which remained in France was depreciated, and the Silver which had left the country had brought back goods or Gold in proportion to its greater comparative worth, the whole of England's Gold was depreciated. But Germany, at that time having a Silver currency, must have been free from whatever loss is supposed to arise from depreciation.

I do not speak here of what gain may arise from the same source.

So, then, monometallic nations also must suffer, each in their turn, some of the inconveniences which fall upon bimetallic nations, who, if they suffer them twice as often, would almost seem to suffer but half as much as their monometallic brethren, if it were not that, as I suppose, such inconveniences affected those using the single Gold standard less frequently than those using Silver.

Nevertheless it cannot, I think, be denied, that there must be considerable inconvenience and disadvantage in a frequent shifting of currencies under a bimetallic law prevailing in a *single* nation, from which disadvantage a monometallic nation must be free.

p. 22 in published

That which seems to me to be urgently needed is a careful enquiry both into the reality of the alleged losses and inconveniences, and into the truth of the contention that they would be diminished under the operation of a bimetallic compact between all the principal nations of the earth.

I have seen no reason to alter the opinion expressed in my former pamphlet, that the alleged evils could not exist under the circumstances of such a compact, and that if England, the Latin Union, Germany and the United States were agreed, all other nations would find it to their advantage to follow their example; and that while the use of Silver as a medium of exchange would be legally extended over all the nations so agreeing, it would practically make none or very little difference in the metallic currency used by any particular

nation in its internal commerce, inasmuch as all would still use that for which they have severally a preference. It may be, indeed, that the use of Gold of late years by the United States, and the present disinclination of the public in that country to use Silver, may add them to the list of the nations having a preference for Gold; but I think there cannot be a good defence for the opinion which I have frequently heard expressed, and which was shared by some of my colleagues at the Conference of 1878,—that as commerce and wealth increase, there will always be a struggle for Gold, as being essentially the money of a rich and prosperous nation, and unfitted to serve the comparatively speaking retail traffic of the less advanced. I should be glad to see a fuller explanation given of this opinion than has yet, so far as I know, been attempted. The Gold mint, whatever it may be, is capable of minute subdivision in account, and, for internal commerce, of minute subdivision by token coinage, and this would seem to make a Gold standard as convenient as a Silver one can be for any nation however insignificant its commerce; and on the other hand the banking expedients in use amongst more advanced commercial nations would cause them to be indifferent whether one metal or the other served as the basis of their transactions.

Whether or not my belief is well founded that the disadvantages of the Double Standard as existing in any single country would be cured

by a common accord amongst nations, the present question is whether the evils now existing, whatever they may be, are such as to need a remedy which would, in anticipation at least, be so distasteful and so contrary to the prepossessions of a majority of Englishmen; and I propose to state the reasons which I will not say make such a change necessary, but which make a patient and thoughtful enquiry into the subject very desirable.

The question is a serious and important one, and scarcely deserves to be treated with the indifference and contempt with which some Political Economists are willing to treat it; for though the evils which now in my belief do result from the present state of things may or may not be found to need so radical a remedy, the evil which may hereafter result is a much wider one.

The inevitable end, if other nations are not in time awake to the danger, would seem to be that while we see the production of Gold decreasing, Gold may come to be adopted as a standard throughout the commercial world, with the evil consequences to which I have referred above; and this alone, without taking into account the present ill effects both of the fall in Silver, and of the uncertainty of its position from day to day, would afford a sufficient reason for grave enquiry.

5 other paragr: in the published pamphlet in lieu of these]

The chief and most salient ill effect is seen in India, where the low value of the rupee inflicts an annual loss on the Government of some three

millions sterling. They have to pay every year in England for interest of money borrowed for making railroads and other works presently or ultimately productive, for making war and for keeping the peace, for home salaries and for other payments. According to the statement for 1880, it was necessary for the Indian Government in England, in order to meet these payments, to draw Bills on India sufficient to raise a sum of £13,948,565: and whereas, formerly, when the rupee was at *2s.*, Bills for R. 13,94,85,650 would have effected this purpose, the Bills actually drawn amounted to R. 16,91,23,612. This is sometimes spoken of as a matter of indifference, as being a loss indeed to the Government, but not to India and its people. I don't know that Englishmen ought to look with equanimity on so great an annual loss, even could it be suffered only by the Government; but, although there may be and are alleviations of it, yet the loss of the Government must be, so far as it goes, the loss of the people; for there must be R. 2,96,37,962 less to be spent in the country and on reproductive works, or else, where it is possible (which is not the case in the chief taxpaying district of India) more taxes must be taken from the pockets of the people to supply the deficiency.

Again, the whole creditor class suffers, and all those who have fixed payments to receive; particularly to the extent of the difference in exchange on all payments which the recipients of salaries have

to make at home, and to a less extent on all payments. The Government, in the loss above mentioned, is in the same position as its servants, for the taxes under the permanent settlement stand in the same relation as the fixed salaries.

In like manner gas companies, railways, waterworks—any such enterprises carried out with English capital under a fixed tariff for fares or rates in countries using a Silver standard—must needs be now losers. They must pay in Gold the interest on their debentures and all other English expenses, receiving a depreciated metal for their rates (rupees worth 1*s*. 7*d*. instead of 2*s*., or dollars worth 38*d*. instead of 4*s*.), and having, as prices rise in the Silver-using country, to pay more there for working expenses.

There will not be much compassion felt for those in this last category, for it will be not unreasonably said that their loss is one of the ordinary risks of trade, especially trade in a foreign country where worse evils might have happened to them than a depreciation of the means of remittance. But their loss is none the less a loss to England.

In India, and for the people themselves, there is no doubt compensation to be found.

The taxpayer, especially the taxpayer on the permanent settlement, must gain; for he is paying a money of diminished value, and his gain as a taxpayer is greater than any loss he may be supposed to suffer as a member of the community.

All mortgagors are gainers, and all those who benefiting by higher prices have yet to pay fixed charges in depreciated money. The chief gainer then is the producer, who sells his produce at an increasing price, and pays the same fixed charges, and for a long time the same wages as he did before.

What is most to be dreaded, and, if possible, provided against, is a further depreciation in the value of Silver. It is that further depreciation, and, indeed, any abnormal fluctuation which affects for evil the interests of all those in Gold-using countries who have commercial dealings with Silver-using nations. Such fluctuation, acting on the exchanges, imparts an additionally speculative character to their business; they can make no just estimate of what they have to receive for their goods; the thing that they do receive is for them a commodity, just as wool is, or bark, or silk, or tea—neither more nor less.

I have been answered as to this point, that the merchant *does* know what he has to receive; for remittances being made in bills, it is all a matter of exchange, which must of necessity be subject to fluctuations.

I reply that it is precisely because it *is* a matter of exchange that my statement is correct.

What is it that regulates the rate of exchange between nations? Where their coins are the same in substance, and are equal (or by a fixed

calculation are reduced to equality) in weight or fineness, there are only two things which regulate the exchange. First, the cost of transmission of the coin; and second, the greater or less demand for bills in the market from whence the remittance takes place. But in such countries the rate cannot recede below the par of exchange less the cost of transmission. Thus the computed par of the sovereign, measured in French Gold, being frs. 25·21½, and the cost of transmission being 8 or 9 cts., a rate of frs. 25·12½ causes the English debtor to send Gold rather than send or accept bills.

But if, on the other hand, the money of the country from which remittance is made is coined from a metal which is an article of merchandise in the State to which remittance is made, an additional element of uncertainty comes into the calculation. It matters not whether remittance is made in Silver, or tin, or bark; whether it is at so many pence per dollar, or so many pence per ounce of Silver or tin, or per pound of bark: it is a speculation in produce after all; and accordingly, in Silver-using countries, the exchange with England varies every day, not on the calculable value of a metal accepted as money, but on the variable value of an article of produce—on the ever-changing price of Silver in this market.

But it may be said that this also is one of the ordinary risks of trade, and involves merely an

additional calculation to be made by the merchant here or by his correspondent in the Silver-using country; and even if the variation in the price of Silver occurs within the period of his transaction, and from day to day, there must be some means by which he can guard himself from loss.

I know of none; nor is it at all a question of having an extra calculation to make. The variations of price are *always* occurring during the period of a transaction, and the following example will show the evil which ensues.

Suppose a manufacturer to send two consignments of goods—one to Australia, and another to Calcutta, telling his correspondents that 30*s*. per piece is a covering price. The Australian has no difficulty at all; he knows the cost of transmission, and will not buy a bill for remittance on less favourable terms for the manufacturer than he could get by sending specie. His only calculation is as to the possible variation of the exchange between the date of his sale and the date of his recovering and remitting the proceeds; and a knowledge of the exports and imports will give him a reasonable clue to the probabilities of rise or fall in the exchange.

The Calcutta merchant can also estimate this; but there is another element on which he cannot calculate in the least when he makes his sale. What will be the price of Silver in England when he comes to buy his bill? Silver is to his English friend a mere commodity, and his remittance to

him is in its essence a shipment of that commodity, and on the fluctuations of its price he cannot calculate at all. "But what then?" it may be answered; "These are only the natural risks of "Trade. Is our currency to be revolutionised "because a manufacturer has made a loss?" I answer that this is an extra risk which should and could be avoided; but the particular loss to the shipper is not the measure of the evil; for the risk forces him to suspend or curtail his shipments to the country, whereby both he and his correspondent in Calcutta suffer; he curtails his manufacture accordingly, whereby large classes in England suffer, and trade is injured all round.

As Gold is the only money current and recognised in this country, and as Silver is the only money recognised by certain other nations as current in their countries, and as therefore in these last Gold is but merchandise, just as in our country Silver is but merchandise, it must follow that the exchange of cotton goods—one kind of merchandise—for Silver—another kind of merchandise—is but barter. The exchange of English goods for so many ton weight of copper is confessedly barter, for copper is as much "produce" as wool is. The exchange for so many pounds weight of Silver, which is also as much "produce" as copper is, has only this difference, that we may send our Silver again to a place where it is money. To us it is barter; but barter with an alleviation.

But as to this I have been answered that "*Barter* is "where there is no medium or measure of exchange—"where a man who has more wheat than he wants, "and wants iron, must look out for a man who has "more iron than he wants, and who wants wheat. "To call by the same name the case where there are "two media, and measures, Gold and Silver, the "relative value of which has to be determined, is "surely to misuse terms,"—to which I reply that the phrase "two media" is an erroneous one. A *medium* of exchange must, I think, be something mutually accepted as such by two parties: *Two* "media," whereof one is a medium accepted by one party, and the other a medium accepted by another—one by England, and another by Mexico—have nothing to liken them to a medium accepted by both, nothing to take either one of them out of the category of merchandise in the country where it is not accepted as a medium.

Whether such dealings are properly called barter or not is wholly unimportant. My point is that it is an embarrassment to trade. So far as it *is* barter, it is disguised, as all barter is, in commercial countries by the use of bills of exchange.

I am told, and rightly, that the inconvenience of which I complain is only the same as is caused by paper-money issued in excess; and it is added that as we cannot remedy *that* mischief—for no agreement can prevent a nation in difficulties from issuing such paper—there is no reason why we

should suffer ourselves to be disturbed by this, which is of the same kind.

But there is a great difference between the two cases, and it is clear that if the fluctuations in exchange in a country using inconvertible paper are due to the unforeseen and excessive emission of such paper-money, the case is worse than with Silver; but this is only because the difficulty of production is less; the printing press mine is more readily worked than the mountain mine; and the calculation of quantities is even more difficult. Mr. Goschen, in a speech on the Silver question, says that people do a very good business with countries where the fluctuations of exchange are enormous. But what *is* good business? Profitable business is done by some, but at the cost of much enhanced risk, a risk which makes business unprofitable to others. Such business can hardly be called *good*. Trade, in the example quoted on p. 35, suffers all round—both with India, and generally—by the additional risk; first owing to the depreciation of the Silver currency, which makes imports fall off, and secondly, and in a much greater degree, if the country with which we are dealing is forced, by stress of war or other emergency, to issue inconvertible paper. To send goods to such a country at any time may be risky: to send while the stress continues may be to give away, if notes are issued *ad libitum* and without warning.

True; nothing can prevent such a country from doing this: but nothing can prevent a Gold-using nation from taking the same evil course; and all the evils of a risky exchange would come upon us in our relations with it, and all the evils of the depreciation of Gold which its practical demonetization by a nation so acting would produce; and they would come on us, as I think can be shown, with twofold force compared with what they would do if our money did not consist of Gold alone.

But that a rash issue of inconvertible paper will affect for evil the exchange of the issuing country, and do injury to trade, is no reason for sitting quietly under the more remediable evils of depreciated Silver.

England, then, has suffered the inconvenience of exchanging her commodities, not for money, but for another commodity, exposed to a fluctuation in price, which cannot be sufficiently calculated—inconvenience which would certainly not occur if she, and the nations with which she dealt, used the same metal as money, nor, as I think, if they used the same metals as money.

How has she been able to bear such an uncivilised condition of commerce? It has only been possible because it has gone on, till of late, unperceived. There has been a safety-valve against the pressure, which has prevented the explosion—a salve for the sore, which has prevented the pain being felt. France has been there with her

Double Standard of Gold and Silver, preserving the equilibrium of the two metals by receiving indifferently the Gold of England and the Silver of India, and acting as a clearing-house between the two countries. Mr. Giffen answered this reasoning of mine by saying, that through a long course of years before 1848, France had practically only a single standard, and could not therefore have done us this service. I reply, that the fact that one metal practically prevailed in France during a certain time is *nihil ad rem.* She had free mintage all the while for both. That her Gold (or Silver) was exported does not affect the question.

His contention is as follows:

"So long as anybody who has Gold will give it "for 15½ of Silver, Silver cannot fall below 15½."

"But if nobody, who is willing to give Gold for "15½ of Silver, has any Gold to give, he has no "power to arrest the fall of Silver in relation to "Gold."

"This was the case before 1848 in bimetallic "countries. They had no Gold to give for Silver. "Therefore, they could not prevent Silver falling to "16, 17, 18, 19, 20, or any other price in relation "to Gold."

"The bimetallic law was of no effect."

This is so far correct that if in a bimetallic country, which stands alone in its bimetallism, Gold becomes the dearer metal, it is theoretically

true and practically possible that all the Gold bullion, and, perhaps, the greater portion of the Gold coin also, should leave the country; and then any one in it who may want Gold for any purpose, would have to give such an agio for it as might bring the nominal ratio in that country, between the Silver then become almost the sole current coin, and the desired Gold then become practically a commodity, to any point.

But that does not in the least invalidate my contention, which is not that the existence of a Gold and Silver currency in France affects the price of Silver in England, but that it is the law of Free Mintage, a necessary part of the law of the Double Standard, which of itself maintains a constant and comparatively even market for the metal; and I maintain therefore that in England or any other monometallic Gold-using country, that law of free mintage must needs keep the price of the commodity Silver at a point dependent not at all on the power of getting Gold from France, or on the agio which may be paid for it there, but on the course of exchange between the two countries.

If, for example, France were to restore to-morrow the full operation of her bimetallic law, there can be no doubt that, on the same day, if exchange were about par, the price of Silver here would be at its old point. It would be wholly a question of exchange. For let us suppose France, under the operation of a bimetallic law operative in France alone, to be

These two paragraphs were cancelled after publication as being rather obscure and a new leaf inserted with the table

absolutely denuded of Gold; still for $15\frac{1}{2}$ ounces of pure Silver remitted to my correspondent in Paris, and delivered by him to the mint, I should be able to draw on him for the equivalent, *i.e.* for 107·1342 francs coined for and delivered to him by the mint. My draft would sell on 'Change for £4 4*s.* $11\frac{3}{4}$*d.* in Gold if the exchange between the two countries were at par, and the exchange, I need not say, depends on the balance of trade between the two countries—on there being or not a demand for bills for remittance—on England being or not, for the moment, a debtor to France.

Thus, in the years from 1832 to 1848 inclusive, when France was said to be denuded of Gold, the price of Silver in England only fluctuated between $58\frac{7}{8}$ and $60\frac{3}{8}$, the average of the lowest year (1845) being $59\frac{3}{8}$. Mr. Seyd gives the following list of prices from 1827 to 1879:—

Year.	Lowest.	Highest.	Year.	Lowest.	Highest.
1827 ..	$59\frac{1}{2}$	$60\frac{1}{4}$	1839 ..	60	$60\frac{5}{8}$
1828 ..	$59\frac{1}{4}$	$60\frac{1}{2}$	1840 ..	$60\frac{1}{8}$	$60\frac{5}{8}$
1829 ..	$59\frac{1}{2}$	60	1841 ..	$59\frac{3}{4}$	$60\frac{3}{8}$
1830 ..	$59\frac{3}{4}$	60	1842 ..	$59\frac{1}{8}$	$59\frac{3}{4}$
1831 ..	60	$60\frac{7}{8}$	1843 ..	59	$59\frac{5}{8}$
1832 ..	$59\frac{3}{4}$	$60\frac{1}{4}$	1844 ..	$59\frac{1}{4}$	$59\frac{3}{4}$
1833 ..	$58\frac{3}{4}$	60	1845 ..	$58\frac{7}{8}$	$59\frac{7}{8}$
1834 ..	$59\frac{3}{4}$	$60\frac{3}{8}$	1846 ..	59	$60\frac{1}{8}$
1835 ..	$59\frac{1}{4}$	60	1847 ..	$58\frac{7}{8}$	$60\frac{3}{8}$
1836 ..	$59\frac{3}{8}$	$60\frac{3}{8}$	1848 ..	$58\frac{1}{2}$	60
1837 ..	59	$60\frac{3}{8}$	1849 ..	$59\frac{1}{2}$	$60\frac{1}{8}$
1838 ..	$59\frac{3}{8}$	$60\frac{1}{8}$	1850 ..	$59\frac{1}{2}$	$61\frac{1}{2}$

Year.	Lowest.	Highest.	Year.	Lowest.	Highest.
1851 ..	60	$61\frac{5}{8}$	1866 ..	$60\frac{3}{8}$	$62\frac{1}{4}$
1852 ..	$59\frac{7}{8}$	$61\frac{7}{8}$	1867 ..	$60\frac{5}{16}$	$61\frac{1}{4}$
1853 ..	$60\frac{5}{8}$	$62\frac{3}{8}$	1868 ..	$60\frac{1}{8}$	$61\frac{1}{8}$
1854 ..	$60\frac{7}{8}$	$61\frac{7}{8}$	1869 ..	60	61
1855 ..	60	$61\frac{5}{8}$	1870 ..	$60\frac{1}{4}$	62
1856 ..	$60\frac{1}{2}$	$62\frac{1}{4}$	1871 ..	$60\frac{3}{16}$	$60\frac{7}{8}$
1857 ..	61	$62\frac{3}{8}$	1872 ..	$59\frac{1}{4}$	$61\frac{1}{8}$
1858 ..	$60\frac{3}{4}$	$61\frac{7}{8}$	1873 ..	$57\frac{7}{8}$	$59\frac{15}{16}$
1859 ..	$61\frac{3}{4}$	$62\frac{3}{4}$	1874 ..	$57\frac{1}{4}$	$59\frac{1}{2}$
1860 ..	$61\frac{1}{4}$	$62\frac{3}{8}$	1875 ..	$55\frac{1}{2}$	$57\frac{5}{8}$
1861 ..	$60\frac{1}{8}$	$61\frac{3}{4}$	1876 ..	$46\frac{3}{4}$	$58\frac{1}{2}$
1862 ..	61	$62\frac{1}{8}$	1877 ..	$53\frac{1}{4}$	$58\frac{1}{4}$
1863 ..	61	$61\frac{3}{4}$	1878 ..	$49\frac{1}{2}$	$55\frac{1}{4}$
1864 ..	$60\frac{5}{8}$	$62\frac{1}{2}$	1879 ..	49	
1865 ..	$60\frac{1}{2}$	$61\frac{7}{8}$			

a sentence inserted in published copy

The highest price in 1879 was $53\frac{3}{4}$, and the average price last year was $52\frac{3}{16}$. It is now $51\frac{5}{8}$.

It is quite possible that the relative production of and demand for the two metals might have in any case maintained the same steadiness of price; but my contention is, that though that production and demand had varied, the power of claiming 107·1342 francs for my $15\frac{1}{2}$ ounces of pure Silver would have tended to steady the price, and that, without the necessity of actually making any such remittance, the other Silver-using countries would necessarily regulate the price they would give for Silver on the price obtainable by remittance to France.

It is indeed conceivable that an abnormal production of Silver in the mines, or a great diminution

of the demand through falling off of trade, or cessation of the use of Silver as money in any country, might possibly force merchants to realise their consignments of Silver by shipping them to France, and drawing against them. Then, possibly, unless the exports of France had kept pace with this change, either by absolute increase or by diminution of other imports, the Exchange would go heavily against that country, and a more considerable fall in the price of Silver would be brought about; but it would then also be entirely a question of Exchange, of the balance of exports and imports, and would be completely separate from the fact of there being an absence of Gold, or an agio on Gold in France.

So long as there was no agio; so long as there was plenty of Gold in France to remit, the fluctuation in the exchange, and consequently in the price of Silver in this market, would lie between very narrow limits, because the exchanges would be from time to time rectified by remittances of Gold, but when all that could go was gone, even then, if the exchanges remained at a point favourable to France, Silver could not fall.

It is true that a continued fall in the exchange, or even the expense of coining more Silver than was needed for internal commerce, might become intolerable to the bimetallic country, and cause it to do as France has done from fear of some such result, and suspend the full operation of the bimetallic

law; but until that suspension took place, the free mintage guaranteed by that law must tie the price of Silver to the exchange between London and Paris.

It has been said that France if denuded of Gold might need to acquire Gold, and to pay, with that object, a higher price for it. But she could only need Gold, being herself bimetallic, to pay her foreign debts with it, and she could not discharge a foreign debt by buying Gold from her creditor; nor could she persuade the stream to flow two ways at once.

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Bimetallism, it is said, in one country only is an impossibility. That is only an equivocal use of the word "Bimetallism:" A Bimetallic law, and the free mintage which is a necessary part of it, may perfectly well exist in one country alone, and has in fact existed in France about a hundred years; but if by bimetallism is meant the circulation of the two metals at the same time, it is quite true that Gold and Silver cannot long remain and perform the functions of a national currency in any single country while it has monometallic neighbours. For those neighbours the benefits of its bimetallic system will remain; for itself remain whatever inconveniences may attach to the system.

For the last sixty years those benefits have been ours; France acting as a clearing-house between England and India has been our safeguard against the inconveniences of the depreciation of the currency of the latter country, but now that the

clearing-house has, for a time at least, suspended its operations, the last four or five years have shown us the existence of the evil, and the danger of its increase.

I do not think that anyone has endeavoured to show either that there is no evil at all, or, if there is, that it is bearable or incurable. Patience has been liberally prescribed to us, and other remedies proposed, which, it was thought, might be provided for us without any intervention or care of our own. Either (1) the over-production of Silver would cease, there would be at last an end to the abnormal flood of Silver poured on the market by the German sales of their demonetized coin, and trade would revive from its then existing depression, and when these things had happened, all would return to its normal condition, Silver and Gold would bear their accustomed ratio to one another, the losses of the Indian Government would cease, and stability return to our commerce with Silver-using countries.

Or, (2) if none of these things happened, then the pressure of the evil, if it was an evil, would force France into her old channel, and Germany, if not into her own old channel of Silver monometallism, at least into accord with bimetallic France, and all would be well.

Let us consider the first alternative.

The over-production in America has ceased, trade has in some measure improved, and for the present at least there is a cessation of German

Silver sales, and these two circumstances, together with some demand for the Continent, did for a time cause a slight improvement in the price of the metal; but where is the return to the normal condition which prevailed from 1820 onwards? Where is the end of the losses of the Indian Government?

It is clear that even if the dead weight of the German Silver were removed from the market, in no case could Silver, while treated as a commodity, return to its former position with respect to Gold; for there would still remain one great cause of a lower price in the cessation of the demand for Germany (and some other countries) for coining. The Indian Government therefore would find its difficulties alleviated, but not removed; and we could expect no stability in whatever average price might be arrived at when the actual disturbing causes were removed, so long as the compensating balance afforded by the French Double Standard was not restored.

A new demonetization of Silver or Gold, a great discovery of either metal, great commercial disturbance in countries using one, while those using the other were in comparative prosperity—either of these causes might again bring about violent disturbance in the relations between Gold and Silver, and renew the evils of which we now complain.

A new influx of Silver and Gold from the mines is, of these disturbing causes, that one of which we

need take least account. If such new discoveries are made, we cannot help it; we can neither predict them nor provide against them. If they come, they come; and nothing we can do can influence their coming or not coming. But demonetization by other countries is an evil which we may hasten or prevent. The example of Germany is already followed by some minor nations, and the more there are that adopt this course, the more do those who still use Silver feel their position to be a doubtful one, and the result may be that suggested in my prefatory letter, namely, that others may be irresistibly driven to follow the example, and Silver may cease to be money in France and the Latin Union, in Germany and the United States.

As to the other alternative: No doubt all would be well if the other nations would agree in the use of the Double Standard, while we retain our present system unaltered, so far harmonizing with bimetallism that we have a Gold standard in one part of the empire and Silver in another; but it seems unlikely that if the two nations most concerned in the Silver question, England for the sake of India, the United States for their own sakes, as producers of the metal, hold aloof, the others will step into the gap. While I write, it is reported that the United States are again desirous of opening the question, and that a second Conference is to be held. It is much to be hoped that it will issue in some international agreement, for if not, it is too likely

that the affair will go from bad to worse, and agreement, which is the only real remedy, will become every year more difficult.

It has, I think, been shown that agreement to adopt a single metal as the medium of exchange is practically impossible; but the adoption of the Double Standard by the chief nations of the world would provide them a common metallic basis which now does and still would amply suffice for the wants of commerce. Roughly speaking, one half the world uses Gold, and the other half uses Silver: the adoption of the Double Standard would make this change only, that all the world would use both Gold and Silver. There would be no more increase or diminution (consequent on such a measure) in the quantity of circulating medium among nations than if the whole quantity of both metals were fused into what the Romans called an *electrum*, that is to say, a compound metal of Gold and Silver. I have already said (and it is little more than a truism) that no metal has ever been the money of any country without national consent. Even an inconvertible paper currency, valueless though it is, may serve as the money of a nation, but it must have national consent to make it so serve, and that consent can make it serve notwithstanding that it is bad in principle and in use.

That any single metal should be universally money we need international consent; but neither for a Gold measure of value alone, nor for a Silver

measure of value alone, have we that international consent, and I see nothing in the reason of the thing why all nations should not arrive at a common consent to use both together in a certain relative ratio, trusting to the establishment of free mintage to produce as its consequence continuous and unrestricted demand, and thus to preserve that ratio unaltered.

What that ratio should be, if such a thing be possible, I will discuss presently.

That both metals are severally well fitted to be money all history shows, and the least costly of the two was "current money with the merchant" before the other was used except for ornament, probably because it was more abundant. A certain abundance is necessary; for there must be enough to serve as

"The . . . common drudge 'twixt man and man;"

but one principal necessity is that its natural cost, or rather difficulty, of production be considerable, so that there be not too much abundance, for that is a safeguard against the currency becoming redundant, and prices of commodities inconveniently rising. But as I have said above, there are other metals and other substances more difficult of access and more costly to produce than either Gold or Silver. Scarceness alone is not a sufficient qualification, nor imperishableness, nor portableness, necessary as these and other qualities are.

Nor, on the other hand, is inequality of cost, or cheapness of one portion of the metal used, a bar

to its fitness to be a measure of value. That a great portion of the Gold discovered in Australia and California costs half or a quarter as much per ounce as the Gold discovered in some other countries, is no disparagement to the fitness of cheap and dear Gold alike to serve as a medium of exchange. Why should it be more prejudicial that a metal the production of which costs only a sixteenth of what Gold costs should be yoked with Gold in a certain proportion to do that service for the whole world, than that cheap Gold should be yoked with dear Gold. I can see little difference but one of degree in the two cases, and that the metal in question is white instead of yellow. We cannot distinguish between cheap Gold and dear Gold, and it seems needless to make any other distinction between cheap Silver and dear Gold than what nature has made at the time of their being yoked together.

Cowries have served as currency, though possessing only one note of good money amongst many, that of comparative rarity. If cowries were yellow and there were not enough of them, I see no reason why white cowries, though more common, should not have been joined with them in their monetary functions. I am answered that my "illustration "from cowries is a mere delusion. Cowries are a "savage currency, and no deduction can be drawn "from them. Rarer white and commoner yellow "could not possibly circulate on the same terms." omitted in published copy

But this criticism does not seem satisfactory. The use of cowries appears to me not wholly barbarous, but rather a proof of partial or inchoate civilization. The savages did the best they could, and adopted a material whose comparative rarity made it fitter for currency than anything else they possessed. But if greater rarity would necessarily prevent yellow shells from circulating on equal terms with white, so, if some rarer still had six spots instead of five, or were thicker and heavier than others, they also should count for more. For the purpose required, and unless yellow ones were more useful as well as more rare, cowries are cowries, thick or thin, spotted or plain, white or yellow, and I cannot but think that there is an instructive analogy between them and the civilized currency of the precious metals.

But the objection usually raised to a Double Standard, to the concurrent use of Gold and Silver as money, is not that they ought not to be so yoked but that they could not; and I will now proceed to state the objections which are most commonly made, having first set down distinctly what it is that the advocates of the Double Standard desire.

Let the Governments of the chief commercial nations agree upon what is the present approximate ratio of Silver to Gold—we will assume, for the sake of having a basis to start from, that $15\frac{1}{2}$ is to be that ratio. It is one on which, as we are informed, the Governments of France and the United States are already agreed, and which many of even our

strongest opponents are willing to allow to be the only one possible, if the principle of the Double Standard itself could be accepted. Let our Government agree, then, that for the British dominions 113·0016 grains of pure Gold (123·27447 Standard) or 1751·5247 grains of pure Silver (1893·5403 Standard) shall be indifferently a good discharge for a debt of one pound sterling, and that they will coin all Silver that any one brings to the mint into pieces of 350·3049 grains pure, the debtor to have always the option of paying his debt either in Gold or Silver. For other countries the weight and denomination and currency of Silver and Gold coins would be specified in a corresponding manner. This is the whole Bill.

The answer to the question "What is a pound?" would be "either 113·0016 grains of pure Gold, "or 1751·5247 pure Silver, at the option of the "payer."

Now the objections so far as I have been able to gather them are the following—

I. It is impossible to regulate by legislative enactment the value of any commodity: Gold and Silver are commodities; therefore it is impossible to fix their relative values.

II. If it be attempted, nature will revolt against it, and that which is in reality and in despite of law the cheaper of the two metals will prevail, and the other will leave the country, as has been the

case in our own experience in France both with Gold and Silver.

III. But if it *were* possible, consent is admitted to be necessary; and consent is impossible.

IV. But if consent were possible, and if it sufficed to fix a reasonably approximate ratio between Gold and Silver, there would always be a preference for Gold, which will therefore bear a greater proportionate price; because its bulk being smaller, it is, first, cheaper to transmit, and, second, easier to count.

V. Supposing a twofold standard established, the effects of a new flood of Silver from the mines would be disastrous. It would overwhelm commerce, give a sudden and dangerous impulse to prices, and disturb the relation between creditor and debtor.

VI. Supposing its establishment to be on the basis of a ratio of $15\frac{1}{2}$ Silver to 1 Gold, while the existing proportion is perhaps 18, then the effect would be, first, that such a stimulus would be given to the working of Silver mines all over the world that this apprehended flood of Silver would really and inevitably come upon us; and secondly, that even if no increase of production took place, it would of itself increase the total circulation of the world by the addition to it of $2\frac{1}{2}$ ounces for every $15\frac{1}{2}$.

VII. There would also be the material inconvenience that all Silver-token coins would have to be called in and recoined.

VIII. We have gone on for sixty years in great prosperity with a single standard. Why change?

IX. It is impracticable; it may suit other nations, but it is impossible to present it in a form that can be acceptable to England.

I do not think I have misrepresented the objections, the first six of which seem to me to be sufficiently cogent, and to deserve and require most careful answers. The two last are not, I think, of so much importance, but they have been seriously urged by good economists, and should be noticed.

I will now state what I have to urge against these objections.

I. "It is impossible to fix by law the value or "rather the price of any commodity, and the "precious metals being commodities, no price can "be fixed for them."

There is no doubt of the truth of the proposition that it is impossible to fix by law the money value of any commodity; and were it possible, it would be as impolitic to enact that Silver should not be sold at less than 60*d.* an ounce, as it would be to ordain that wheat should never be sold at less than 60*s.* a quarter. But, by the hypothesis, Silver is to become part of the money of the country; Silver and Gold are to stand to one another in a different relation from that in which either of them stands to wheat. Under our present monetary law Gold stands to

Silver in exactly the same relation as Gold stands to wheat, and it cannot be but that some change in those relations must result from Silver becoming equally with Gold the measure of value and means of payment for wheat—that is to say, that a debt of £3 17*s.* 10½*d.* incurred for wheat may be discharged either in an ounce of standard Gold, or in 15½ ounces of standard Silver. The words "price and "value" seem to me to be misapplied in describing the mutual relation of the metals forming together what I venture to call one metallic standard of value, that is to say forming inseparable parts of one monetary system.

Money cannot measure money, both metals being accepted as money. The question of price cannot arise between them, and their price cannot therefore be fixed by the State or otherwise. If their values measured in other commodities are by nature unequal, the State can by no law and no declaration make them equal; but in passing a law which makes 15½ ounces of Silver a good discharge for a debt of one ounce of Gold (we are supposing that to be the true proportion existing at the time of the making of the law) it does an act which, as I shall presently show, makes future inequality between the two metals unimportant, and their service as money unaccompanied by any injustice, inconvenience or irregularity.

It is true that in adopting a twofold standard, and fixing by law an arbitrary ratio of one of the

constituent parts of that standard to the other, we *do* incidentally regulate the price of a commodity; but it is only incidentally, and as a consequence necessarily flowing from free mintage, and from what I have, I think, shown to be practicable and reasonable legislation. That is to say, we fix a price in Silver for that portion of Gold-yield which is used in the arts, and not for the purposes of coinage or currency, and a price in Gold of that portion of the Silver-yield which is used in the arts and not for circulation; but the quantities, whether of Silver or Gold, thus used are so small as compared with those doing duty as money, that the effect of thus fixing the price is certainly quite insignificant.

II. "The dearer metal would be exported and the "cheaper metal would take its place, thus causing a "loss to the country."

The cheapness of one metal in the market and the consequent export of the other are the two cardinal points on which the whole question turns, and I hope that in any answer to this which may appear some attempt will be made to show how, and by what steps, the supposed difference of market value could be brought about, and how, and by what steps, the "dearer" metal would disappear. Hitherto all that is alleged is that one metal *has* become dearer, and *has* disappeared under circumstances wholly different from those suggested.

The allegation is that there would be a difference between the mint price and market price of Silver,

but it seems to me impossible. I wish to know how the market price could be quoted. If on Tower Hill the holder of Silver could get by law his $15\frac{1}{2}$ ounces of Silver coined into so many pieces of Silver current for 38 double florins and small change (£3 17*s.* $10\frac{1}{2}$*d.*), how is it conceivable that he would sell them in the market at a lower price?

This & the next paragraph expanded [illegible] in the published pamphlet

But the miner, it may be said, the cost of production of his Silver being less than that of Gold, will be able and willing to sell it for a lower price. Why should he do so? The buyer would send it to the nearest mint, and get the mint price: why should not the seller do the same? If not, and if he sells at a lower price than the mint price, less cost of transport and interest, he makes the buyer a present of his profit. In discussing this question one of the most frequent mistakes is to confuse the profit of the miner with the supposed advantage of the debtor. It is commonly said that, as the writer in the *Encyclopædia* intimates, the debtor will be master of the situation, that he will be able to take advantage of the creditor and pay his debts in the cheapest metal. How is he to come by the "cheapest metal?" How will it be cheap to *him?* Were Englishmen able to pay their bills the easier because Gold was to be had in Australia for the picking up? The only effect of cheapness of production is to give profit to the miner and his men, and of course to enhance prices if cheapness of production increases the quantity produced.

But "one metal or the other" supposed to be the dearer of the two "will leave the country." Whither will it go? When France was a bimetallic nation surrounded by monometallic neighbours, her Gold or Silver went to them; and even under the rule of an international accord, say the objectors, the dearer metal will still depart; that is to say, it will, according to their hypothesis, simultaneously leave England and her dependencies, France and hers, Germany, practically all Europe, the United States and all other countries which may have followed the example. To what land is it to go? The fear of such an export—of any export of importance—seems to me to be chimerical, and I think it certain that if such a compact were once made, there could be in effect no divergence between the nominal and real value of the precious metals measured in each other, and that therefore no debtor could gain in that way any advantage over his creditor. If the other nations, as is probable, did follow their example, assurance would be made doubly sure; but supposing some nations not to follow, could the dearest metal be attracted to them in any quantity? Could we send our Gold to Mexico, for instance, and fetch Silver from thence? Gold is for the Mexicans an article of merchandise. We might export Gold to that country, and it would probably be a bad speculation; but if we did so, why should the Mexican sell us or pay us 16 or 17 ounces of Silver for our ounce of Gold when he could himself

send $15\frac{1}{2}$ ounces to England, and buy not the ounce of Gold indeed, but the commodities that it would purchase?

III. "Consent between nations is impossible."

It is easier to allege than to prove the impossibility of agreement. Monetary concord between the various States of Germany would have seemed impossible a few years ago, and yet it has come to pass. There was no antecedent reason why it should have been possible to bring about the Latin Union, but it exists, and has been an important factor in the present condition of affairs. I believe that the only hindrance to international agreement lies in the attitude of this country, and in the opinions heretofore prevalent here; but if it can be shown that no real disadvantage to England in her internal commerce, and much advantage in her external relations, would attend the adoption of a twofold standard, that hindrance would, no doubt, disappear.

We already know that France and the United States are willing, provided only that others are willing also, that Germany is anxious for a Conference on the subject, and has, it is said, already nominated representatives. Austria would certainly make no demur, and Italy would lose, as the other nations would lose, the motives which are impelling them to resort to a single Gold standard; and the dangers which appear to me to threaten the commerce of England, and which lie in the

increased and increasing appreciation of Gold, would be averted. Practically the decision rests with ourselves, and, if we were willing, that consent which is said to be impossible would at once exist.

But, it will be said, that even supposing all were to be willing to come to an agreement in principle, there is no probability of their being able to fix upon a ratio between the two metals that would commend itself to all the contracting powers, and at the same time be just to debtor and creditor alike.

The ratio was, indeed, theoretically, one of the great difficulties in the way of an agreement, but not practically. *Primâ facie* the just way would be to ascertain approximately the existing proportion between the two metals, and agree to fix that as the proportion at which the mints shall coin the Gold and Silver brought to them.

But how is that existing proportion to be ascertained? The market price will not show it, for the present position of Silver in the market is almost entirely the result of its demonetization, and the day Germany returned to a Silver currency Silver also would begin to return to its former level, even without any question of the Double Standard; and I believe that if Silver were as widely used as before it would be found that there would be very little difference between the true proportion and the ratio of 15½ which, by the necessity of the case, was always arbitrary, and more or less the result of a compromise.

I will discuss presently what would be the effect of fixing that ratio if it should really be much higher than the existing proportion, and what would be the effect of fixing it at 17 or 18 or any other ratio differing from 15½. This last has been the constant ratio for a much longer period than any other. Five-franc pieces bearing that relation to the Gold coinage of France are still legal tender in that country; thalers bearing that relation to the Gold coinage are still current in Germany at their full nominal value. In those two countries, therefore, the fixing the ratio at 17 or 18 would inflict some loss on the debtor, just as fixing it here at a higher rate than its existing market value would inflict some loss on the creditor who might have to pay a debt in Silver to the foreigner. But as the present cheapness of the Silver which the creditor would in such a case have to buy arises from no action of his own country, and the renewed dearness would arise also without the necessity of any action of this country, (for it would return by the action of the foreigner if Silver were remonetized and free mintage restored whether we retained our single standard or adopted the double one,) he would have little reason to complain; and indeed the making his case worse by adopting too high a ratio under the Double Standard would not be so great an injustice as the making the debtor's worse by the depreciation of the lawful money of his country which would result from the adoption of too low a one.

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But if the measure is in principle really advantageous for this country, it may be even desirable to sacrifice some exactness for the sake of bringing it about by common accord. The injustice done would be very small indeed, even if the real difference were that between 15½ and 18, and I have shown in a letter, printed in the Appendix (p. 4), how small it would be; but, as the difference would be only that between 15½ and the true proportion under remonetization of Silver, the supposed prejudice would not be worth considering.

in place of this come seven pages in the published pamphlet

Again, it may be objected, if the chief commercial nations had agreed on the principle of a Double Standard, and on the ratio between the two metals, what probability would there be of any such concert being maintained? Treaties are broken every day, and so, it may be thought, would this, if not by the reversion of one or more nations to one or other single standard, at least by a possible change in the ratio.

p. 62 in published

Other treaties may be broken, because by breaking them a nation seeks to bring advantage political or pecuniary to itself; but the Double Standard once established, I believe, the breaking of this treaty would touch home interests so widely spread, and so deeply rooted, that a change would not be lightly made.

3 paragraphs [illegible] added in the published pamphlet

But some one may say, "If, after the ratio is once "ascertained and fixed, the relative market price

"of Silver and Gold changes enormously, surely "it must be not only expedient but necessary to "change the ratio. Suppose Silver to become as "rare as Gold—suppose it to become 50 times "commoner than Gold—is it conceivable that a "ratio of $15\frac{1}{2}$ to 1 could be maintained?"

I have already shown, I think, that there could not be a market price as distinguished from a mint price of either metal—of Silver or Gold—their price would necessarily be measured in commodities, not in one another. Gold and Silver would be as one metal; and the only effect of such a change would be, that if the supposed rarity of Silver had produced a diminution of the common mass of money in the world the prices of other commodities would fall, or if its supposed abundance had produced an increase of that common mass, the prices of other commodities would rise; but such diminution or such enhancement must, in the nature of things, be gradual, and proportionate to the gradual diminution or increase of production; and to these the daily transactions of trade would adjust themselves without sudden or violent disturbance.

Secondly, the intrinsic danger and injustice of a change would be great.

Whatever ratio we now fix, no practical injury is done to the general interests of England. If we fix it a little too low or a little too high, the interest of a score of holders of Silver would be affected. That which they now hold as a commodity would be to

a trifling extent raised or lowered in price, and there would be an end.

But a twofold standard once established, Silver becomes a money of the realm, and a change would affect the interest of every buyer and every seller, for the relation of money to all purchasable commodities would be violently altered. If, for example, we could suppose that the true proportion of Silver to Gold had come to be 20 to 1 instead of 15 to 1, and it should be decreed that the legal ratio should be changed accordingly, then the whole mass of Silver coin and bullion held in the country would be reduced in value by one-fourth, and the holder mulcted to that extent.

It may be answered that the purchasing power of the total quantity of coin and bullion, though representing a less sum in pounds sterling, would be the same as that which it had before the change. True ; its purchasing power would gradually become the same, but meanwhile every debtor, whether bank or private person, would have to pay his full debt to his creditor, and would find himself mulcted of one-fourth of so much as he held in Silver.

omitted in published pamphlet

It needs but to mention the inconvenience which the mere apprehension of impending change would cause, if such change were supposed possible, to show that if England should once resolve on such a change as the adoption of Silver as a joint standard with Gold, she must surely adopt it once for

all, and with no *arrière pensée* of future changes to and fro according as one or the other metal might seem to be relatively more abundant.

IV. The fourth objection depends on the statement that "there will always be a preference for "Gold."

To this statement there is the short but decisive reply, that half the world had till lately a preference for Silver.

The reasons alleged for the statement, viz., cost of transmission, and labour of counting, can also, I think, be easily disposed of. In point of fact, it is *not* cheaper to transmit Gold than it is to transmit Silver, the freight and insurance being *ad valorem*, and the same for either. The bulk either of Silver or Gold is so small as to be of no moment in calculating the freight; and if there *be* any difference between them, Silver would have the advantage, inasmuch as Gold, by reason of its less bulk, value for value, is more exposed to the danger of robbery.

As to Gold being preferred because of its being easy to count, that point leads to the enquiry into what practical and material consequences would result from the adoption of a twofold standard by all nations, irrespective of any supposed effect on prices, to which latter point I will advert under Objection V.

Would currencies remain as they are, Gold in England, Silver in India, &c.?

I answer, certainly they would. Certainly no revolutionary change would be brought about by the admission of Silver into one country and Gold into the other as unlimited legal tender. Every one would be entitled to discharge any debt contracted after the passing of the law, in coins of standard Gold or in coins of standard Silver at his pleasure; but I see no reason to imagine that the latter would be more ready to his hand than the former, or indeed as ready. No one need fear that he will be in danger of receiving a sack of 5,000 double florins for a debt of £1,000, or of having to hire a porter to carry a bag of Silver when he has to pay his tailor. I apprehend that all large payments from hand to hand would be made as now by cheque; and all less ones of above £5 by notes; and all smaller ones by sovereigns and the Silver tokens representing parts of a sovereign. Payments in this country in Silver standard coins would be only exceptional. Silver is even now a legal tender up to 40*s*. Does any body ever pay a debt of 40*s*. in Silver? I can imagine no reason why the Englishman should leave the "preference" which he now truly has for a Gold currency, nor the Indian his "preference" for a Silver currency. Those that use Gold for their daily transactions would use Gold still; and those that use Silver would use Silver still.

I presume, indeed, that the law would provide that debts or other payments falling due under

contracts dated before the law came into operation might be demanded in Gold; but in reality there would be no reason why the debtor under such contracts should ordinarily prefer to pay in Silver rather than in Gold, nor why the creditor should prefer to receive in Gold rather than in Silver, any small sums not payable as usual by cheque or note.

Now suppose a bimetallic law passed to take effect on the 1st of January in any year, so soon as the mint was made ready for the change; the actual thing which would happen is this: A shipment of Silver would arrive in course of time from Vera Cruz or some other port of shipment. It would be transhipped as now to India, or to any country in which there was a demand; just as a shipment of Gold is when the exchange is against the country, or when it has to be exported for any especial purpose. But if there should be no demand either to rectify the exchange or to supply (for example) a paper-using country with a required metal, the Silver would be taken to the Bank of England, and the directors, acting on the altered law, would issue notes against it. Those notes would fall into the Reserve of the Bank, and their sterling amount would be at the credit of the bringer, either in his own account in the books of the Bank or in that of his private banker; but as the law of the twofold standard could cause no increase in the quantities of the two metals, there could be no permanent increase in the Reserve; nor

do I see any reason why Silver should flow to this country rather than Gold. Certainly, Gold alone would not come to the Bank, but I cannot see how caprice or interest will lead men to send Silver to it in preference. The debtor country, whose usual money is Silver, will pay its debts in Silver; and the debtor country, whose usual money is Gold, will send Gold. England is the monetary centre of the world, not because she uses Gold and not Silver, but because she is the centre of capital and trade. All the Gold and all the Silver of the world comes here now, except that which is retained for use in the country of its production. What more could happen if both Gold and Silver were accepted by us as money? Some imagine that all the Silver would come to the Bank of England, either instead of all the Gold or as well as all the Gold; and that in the latter case our issue of notes would rise to a point hitherto unknown. But I see no ground for supposing that we should issue one note more than we now do. The same balances would come, though sometimes in a different form; and whereas now shipment after shipment of Gold passes through England without entering into the Bank Reserve (when the state of the exchanges demands that it should go abroad), so it would be in the case of the Silver also.

But England, it is said, being a creditor country, would always be paid in the cheapest metal. This

is to beg the question that there would or could be cheapness or dearness between the two parts of an accepted standard of value. Gold and Silver would be parts of the same whole—limbs of the same body—and could not have the same relation to one another that either one of them bears to any other thing not so intimately connected with it.

The result would really be, I think, that the Bank would always hold both Silver and Gold bullion, as is already to a limited extent within its powers under the Act of 1844, and that the amounts of the two metals so held would be always varying, not by reason of any imaginary cheapness or dearness of either metal, but according to the varying condition of the balance of trade of the Silver-using or Gold-using countries respectively in relation to England.

The Silver received by the Bank would for the most part remain in the vaults, but some of it would be sent to the mint to be coined into standard money, call them double florins or dollars, or what you will, in case it should be necessary to pay out any quantity of the new coin to the public; but, as I have said above, no great amount of it would be likely to go into active circulation.

The real difference that would result from a bimetallic law would be in international payments—in shipments of bullion to rectify the balance of trade between ourselves and other countries. The

Bank of England would, as I have already said, hold Silver as well as Gold; and such shipments would be made in either metal at the option of the payer; but if made in coined metal, they would be made, as now, by weight and not by tale, so that the labour of counting will not enter into the question.

a paragraph inserted in the published pamphlet

V. "A twofold standard once established, any "great influx of Silver from the mines would dan- "gerously disturb prices."

It is unquestionable that if England had a Silver as well as a Gold standard, the working of new mines of Silver, and the production of an additional quantity of that metal, would have the result of enhancing prices; and if the quantity was very large and its production very sudden, the consequences might be severely felt.

But what if she adheres to her single standard, and the additional production be of Gold instead of Silver? That which has been, (*e.g.* 1851 and onwards) may be again; and there can be no possible ground for saying that Silver *will* be found, and Gold will *not*. But if Gold be found again in extraordinary quantities, and the Double Standard be not adopted, then the flood would pour over half the world—the Gold-using half—and the immediate effect which the objector justly fears would be twice as great as if the flood were spread over the whole world, and affected equally the whole mass of currency; and this last would

certainly be its operation if the Gold and Silver composing the mass were joined together in a bimetallic union.

What is the case at this moment? A flood of Silver was not long since let loose upon us, and that a double one, from the increased yield of the mines, and from the demonetization of Silver by Germany: Silver has been necessarily depreciated, and prices enhanced throughout all the Silver-using nations, and not only has the effect been twice as great because the area over which it extends is but half the commercial world, but it reacts also on the Gold-using nations.

I conclude, therefore, that this fifth objection is quite irrelevant to the question of a Double Standard; the particular danger which it suggests, and the consequent disturbance of the relations of creditor and debtor being at least as great under the present law as it could be under a bimetallic system of currency.

VI. "But supposing the bimetallic system to be "established on the basis of a ratio of 15½ while "the real existing proportion is perhaps 18, that "difference will give such a stimulus to the work-"ing of Silver mines, that the dreaded flood of "Silver would really come upon us; and even if "not, will of itself be an enlargement of the Silver "currency to the extent of about 15 per cent., and "consequently a depreciation of the whole mass of "currency by about 7½ per cent."

To the latter part of this objection I reply that I think I have already shown on p. 61 that the evil effect even on such a calculation would be more nominal than real, and that to take 18 or any such ratio as a basis for the calculation is untrue and misleading. As to the former part of the objection, I say that if there are indeed any mines which have been abandoned because of the fall of Silver from 5*s.* an ounce to 4*s.* 3*d.* or thereabouts, then a return to the price of 5*s.* might bring them again into bearing and so increase production; but I believe there is no evidence of any such abandonment, a much less price than 4*s.* 3*d.* being sufficient to make the working of all but perhaps a very insignificant number of workable mines remunerative.

VII. "It would be necessary to re-coin all our "Silver-token coinage."

This objection must arise from the supposition that standard florins, shillings, and sixpences would be coined, which would be undistinguishable from the token coinage. But in fact no Silver standard money would be coined except double florins (dollars), and there is no more reason why they should not circulate concurrently with the Silver tokens, than there is why the existing French Silver tokens should not circulate in the same country with five-franc pieces.

A shilling would still stand for the 20th part of a pound, whether that pound was 113·0016 grains

of pure Gold, or 1751·524 grains of pure Silver. This question is fully discussed in the Appendix, pp. 24, 33, 37 and 41.

VIII. "Our sixty years of prosperity."

This is the old fallacy of *Non causa pro causâ.* The objector sets before himself and us the varied facts of a prosperity which has developed itself in a hundred different ways since 1819, and passes *per saltum* to the conclusion that that prosperity has been caused by, or has had for one of its causes, the adoption of a single metal as our standard of value, but attempts no explanation of the mode in which so limited a cause has had so great an effect, an effect which, so far as it depends at all upon the character of the money of the realm, may be more justly attributed to our maintenance of an uncorrupted coinage of certain weight and fineness, and such, as I contend, we should have maintained, whether the metal of which it was composed were of Gold or Silver or of Gold and Silver.

An array of facts without cohesion—of premisses with no logical relation to the conclusion—is a frequent resource of the *soi-disant* practical man who would oppose what conflicts with his prejudices.

But the "practical" man is not unfrequently the ignorant man under another name, and is scarcely less dangerous than the theorist who, having no practical knowledge, constructs his facts for himself and deduces from them his own preconceived conclusions.

The true practical man is he who, resting on his own experience and knowledge, is able to arrange his facts in logical sequence and construct a theory on which such facts can be shown to lead inevitably to a certain conclusion.

Nowhere has this been better stated than by the late Mr. Henry Drummond,* in his *Elementary Propositions on the Currency.*

these two paragraphs omitted in the published copy

He says: "They who plume themselves upon "being what they please to term 'practical men' are "fond of bringing forward insulated facts, from "whence they draw unwarrantable conclusions; and "when these facts are shown to be irrelevant and the "conclusions false, abuse as theories the arguments "by which they are exposed. A collection of facts, "however extensive, is perfectly useless for every "practical purpose—that is, for a guide for future "conduct—until it has enabled us to frame a theory "which explains the causes and the consequences "of those facts; and so far is it from being true "that a mere practical man—that is, a man who "has no theory on the subject he is handling—is a "person to be relied on for facts, as some people "erroneously suppose, no man is competent to "observe and note a fact who is not conversant with "the theory of the subject to which the fact relates; "for the observation of Cullen is perfectly correct, "that there are many more false facts than false "theories in the world."

* *Speeches in Parliament.* Vol. ii. p. 7.

Secondly, I must add that those who use this argument seem to take no account of change of circumstances. England has prospered for about sixty years, they say, *i.e.* since 1816. But what of the last four years or thereabouts? England suffered nothing from her single Gold standard, notwithstanding her relations with other countries where a single Silver standard prevailed, so long as France kept open a door of escape; but now that the aid of France is no longer afforded to us, our prosperity has not been so exemplary as to provide a very helpful argument to the advocates of the theory that our well-being has been owing to the fact that our standard money was of one metal alone.

I have already mentioned Lord Liverpool. His "Treatise on the Coins of the Realm" is the foundation of our present system of money, and his great authority, and that of the eminent men whom he quotes, must, if the altered circumstances of the world be left out of the account, be a stumbling-block at the feet of those who dare to ask that the question, whether the system of the Double Standard is not more suitable to those altered circumstances, be carefully examined.

No one at the present day would venture or desire to controvert the principles which he so lucidly states. Least of all would I do so. He proved to the satisfaction of the Government of his day—

I. That coins which were to be the measure of property should be, if possible, of one metal only.

II. That that metal should be Gold.

III. That the other coins should be as they now are, tokens; or, as we may call them, notes, representing parts of a sovereign, and made of metal instead of paper.

In support of the first proposition he adduces the authority of Sir William Petty, Mr. Locke, and Mr. Harris; but as he sets aside the opinion of Mr. Locke that Silver should be that one metal, on the ground that circumstances had so much altered that this opinion was no longer tenable, and thinks that Locke, had he lived then, would have been of that mind also, so I venture to think it not impossible that, if Lord Liverpool and the great men whom he quotes had lived in this age, they might have recognised that his first proposition, excellent in theory, might carry with it in practice, under the changed conditions of the mercantile world, inconveniences which would demand a remedy; and I think it can be shown that the main reasons which he adduced in support of it, and which were applicable to England as a single nation, are no less applicable, in the more developed condition of commerce, to the whole commercial world.

The evil which presented itself to his mind was one that does not and cannot now exist in England, viz.: that the currency was composed of English coins of uncertain weight and fineness, and included also some few coins, no less irregular in quality, of foreign coinage, and without any safeguard: so that men when they received this current coin in their daily transactions could not know for certain what it was they did receive.

There is, I say, no fear of this in England, but the uncertainty still exists in England's transactions with foreign nations, and even with her own dependencies, where a different kind of money is current. Lord Liverpool's care was to remedy the mischief as it then manifested itself, and to provide that the same monetary system should prevail through the length and breadth of this land; but the means of communication have been so much improved, that America is as near London as Scotland was in his time, and the several nations have been drawn more nearly together since those days. Then the policy of all nations was to look wholly to themselves for the promotion of their own exclusive interests, whereas now the promotion of the common good is better seen to be the promotion of individual good. If it was then desirable that the measure of value for England should be one, and one only, so that all men who traded with one another should know exactly what it was they were to receive for their wares, so is it also

now desirable that the measure of value should be one for the nations forming the whole world of commerce, who, far more than in Lord Liverpool's time, may be said to be one community. But unity of money, in the sense of causing a single metal to suffice for all, has been shown to be an impossibility, both by reason of the preference of nations for one or other of the metals now used, and of the insufficiency of either one alone to provide all at once for the needs of all. Is it not, then, our best resource to approximate as nearly as possible to unity by causing the two metals, under prescribed regulations, to perform together the service of a metallic standard for the world? The world is already bimetallic; but it is an unregulated and haphazard bimetallism which prevails among us; and I must believe that a due regulation of it is both possible and desirable.

I have shown that the "traffic in coins," which is the chief inconvenience attaching, in Lord Liverpool's opinion, to a bimetallic measure of property, would be, under such regulation, impossible.

It is curious that the account which he gives of the bad condition of the currency in some other countries, and of the remedy which had been there applied, should afford one of the most striking instances of the great difference between our times and his.

His words are very remarkable. He says:—
"There is no circumstance that more clearly proves
"and illustrates the truth of this principle, 'That

" 'coins which are to be the principal measure of " 'property can be made of one metal only,' than " the practice which (he says) has long prevailed in " several commercial states and countries on the " continent, of making foreign bills of exchange, and " sometimes other bills, exceeding a certain amount, " payable in what is usually called Bank-Money," that is to say "*recepisses,* receipts, or notes, in " return for the Gold or Silver bullion . . . placed " by individuals in their custody," which receipts " are regulated by, and therefore represent some one " of the national coins current in each of those " states, exactly according to the standard of their " respective mints,"* so that they have and retain an undisputed value, and have come to be the fixed standard or measure according to which great payments are made.

He goes on to say that in Great Britain no such establishment has ever existed—that one such bank would not suffice, and that the establishment of many would be inconvenient—that Great Britain scarcely needs such a system, inasmuch as unauthorised foreign coins rarely enter it to serve as currency, and the coins of the realm are therefore necessarily the instruments of commerce, and the only legal tender whether to natives or foreigners; "and from thence," he says, "results the necessity in this country of having coins made of one

* *Treatise on the Coins of the Realm.* Reprint, 1880. pp. 136, 137.

" metal only, which should serve as an invariable " measure, . ." &c.

He appends a note saying that it is unnecessary to advert to the Acts making Bank of England notes temporarily legal tender during suspension of cash payments, " as that is not part of our recognised " monetary system."

It is hardly necessary for me to point out how entirely all this has changed.

The exact system to which Lord Liverpool refers as non-existent, as insufficient for our needs, and unnecessary for the particular purpose, is, and has long been, established in England.

The notes of the Bank of England are issued practically as receipts for bullion; they are legal tender, like the *recepisses* to which he refers, and serve to make, as he says of the others, all " great " mercantile payments," except where the use of the notes is again economised by the employment of cheques and other expedients of trade.

Lord Liverpool's argument seems to be that, in order to remedy the inconvenience of diversity of coins and uncertainty of weight and fineness, other nations had used a system of vouchers representing but one metal and one coin, which vouchers served for all transactions of moment, the debased coinage serving for small transactions of daily life; that, as in England we could not have such a system of vouchers, we could not safely permit a coinage of uncertain weight and fineness.

But we now have such a system, and may contend that the diversity of metal under a true bimetallic system is not at all open to the condemnation which he pronounces against the bimetallic coinage of his time. And, as in this one particular of a National Bank, I have shown that what he deemed impossible is actually existent, so also, I think I have shown cause for believing that the other considerations which I have mentioned might have been of sufficient weight to have led him to allow that circumstances might occur, and had now occurred, which should make it necessary for the well-being of English commerce, that, theoretically excellent as his system is, and practically irreproachable when applied to the internal commerce of a nation, we should not now treat the question of departing from it as one to be dismissed without careful consideration.

IX. In the foregoing paper I have endeavoured to answer the IXth objection. I have endeavoured to show that there is no impracticability in the adoption of a Double Standard, that whatever suits other nations must now of necessity suit the whole family of nations, and I would fain hope that I have presented it in a form which may prove not only acceptable to England, but a remedy for some grievous and pressing evils.

Again, in conclusion, I appeal to the wisdom and forethought of all men interested in the commerce

of England; I urge every one who has at heart the prosperity of that commerce, not to close their eyes to the dangers of the immediate future, but to consider seriously what will be the result of the action which may in this very year be taken by foreign nations.

Two courses only are open to those nations: for it is impossible that they can remain as they are. They may adopt the Double Standard without the concurrence of England, or they may be driven to follow the example of Germany and adopt a Gold standard.

They may take the former course, though it will necessarily be very much against the grain that they should do what we tell them is bad for themselves and for our advantage. That it would be satisfactory to us and sufficient for us that they should do it is certain. But what are the chances of its being carried out? If they do take such a course they will be exposed, as all admit, to see their Gold leave them and flow into our coffers. Gold will not leave a bimetallic union in which England is included to flow into the coffers of a nation whose commerce is insignificant; but it will leave a bimetallic union of which England does not form a part, and, when circumstances lead it, flow into England, which is the commercial centre of the world.

If it does, it may become intolerable to the rest, and the present agitation might begin again, with the certain result of their recourse to the second alternative. expounded in the published pamphlet

We have all seen what has been the consequence of the demonetization of Silver by Germany and the consequent absorption of Gold by that nation, and that prices as measured in Gold have fallen considerably wherever other circumstances have not concurred to maintain them. What will be the case if France and the Latin Union and the United States should be driven to do the same? The consequent and sudden fall in prices will be not fourfold but fortyfold, and the peril to our commerce will be incalculable.

The only real and permanent remedy would then be our adhesion to the principle of the Double Standard as set forth in these pages.

I know that my arguments rest on the hypothesis of general agreement, and the theory that such agreement would completely alter the conditions under which the Double Standard has not been found to work well.

Before my readers deny the possibility of my hypothesis, and in haste reject my theory, let me ask them to read one more quotation from the same work of Mr. Henry Drummond.*

" The proportion of the magnitudes of the " heavenly bodies to each other rests purely upon " hypothesis. The annual and diurnal revolution " of the earth, directly opposed to the daily sensa- " tions and eyes of the *practical* ploughboy, are " founded on hypothesis. So absurd, indeed, did

* *Speeches in Parliament.* Vol. ii. p. 11.

" this revolution appear to all sober *practical* men
" when it was first demonstrated, that Copernicus
" dared not mention it for many years: the *practical*
" men in Italy constrained the pope reluctantly
" to put Galileo in prison, and made him learn
" penitential psalms by heart to purge away his
" philosophy; and when Jacquier and Le Sieur
" published at Rome, so late as 1742, the theories
" of that speculative heretic, Sir Isaac Newton,
" upon the same subject, they wisely inserted in a
" preface, that they did not presume to believe that
" which they had proved to be true, unless that
" *practical* man, the pope, should happen to be of
" the same opinion."